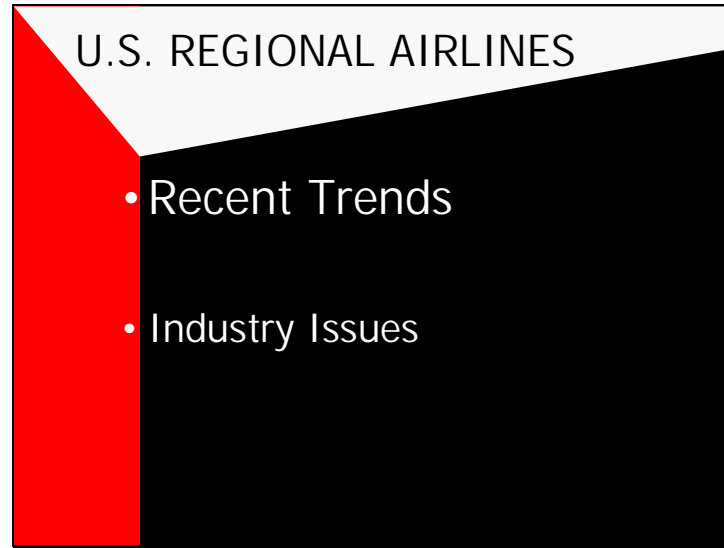


Slide 1



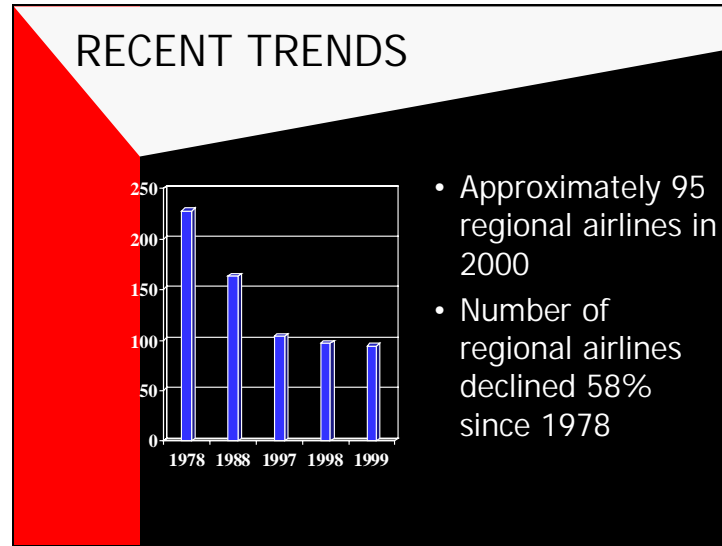
U.S. REGIONAL AIRLINES

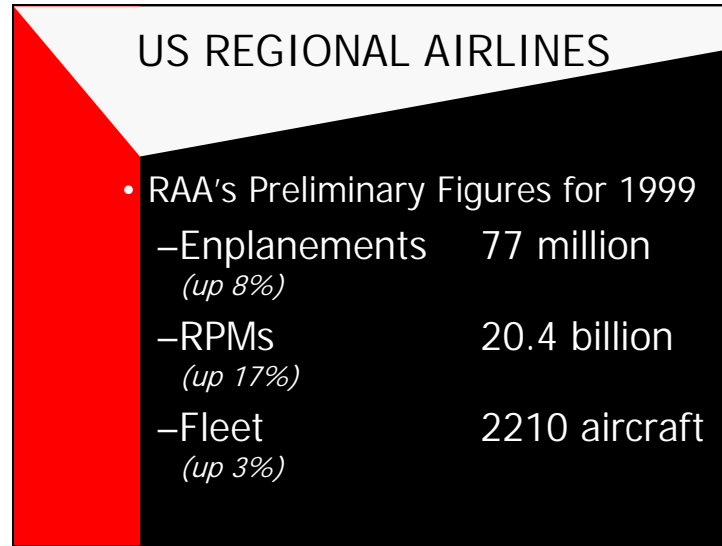
25th Annual US FAA Forecast
Conference
Debby McElroy, Regional Airline Association
March 7, 2000



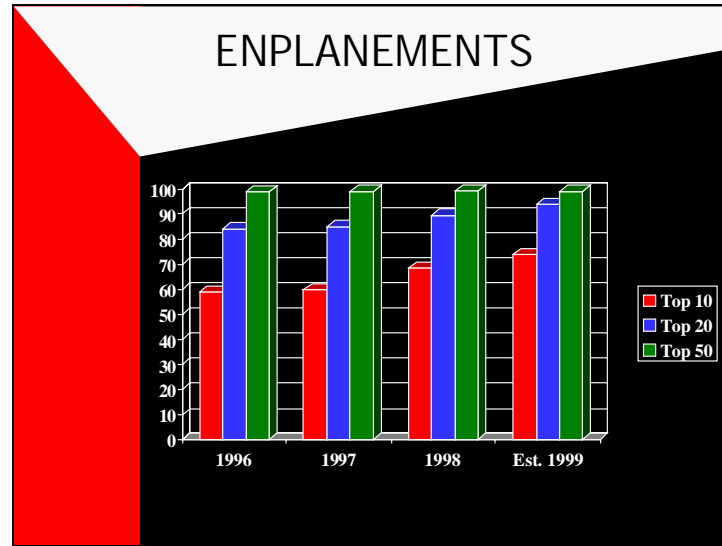
U.S. REGIONAL AIRLINES

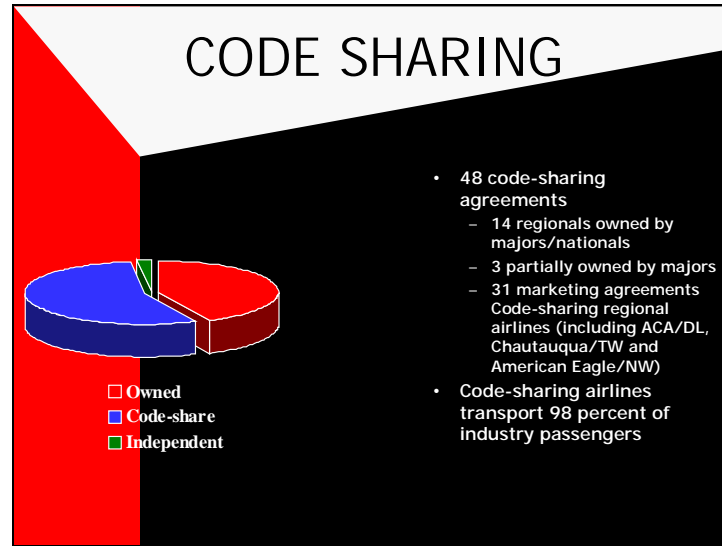
- Recent Trends
- Industry Issues



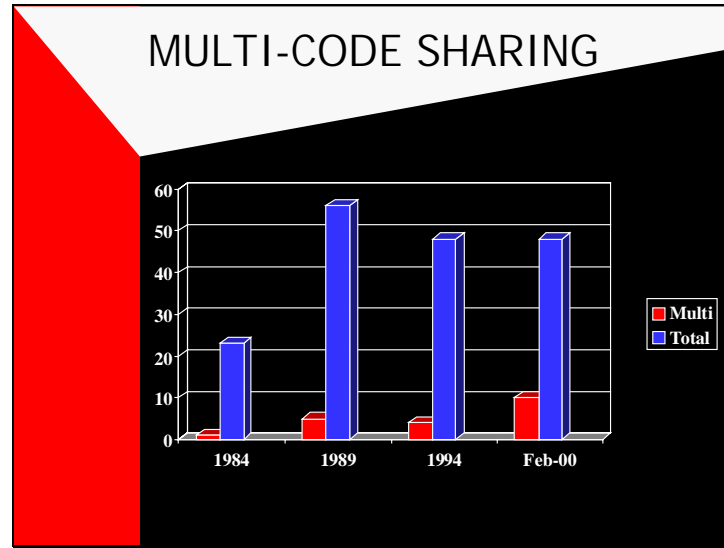


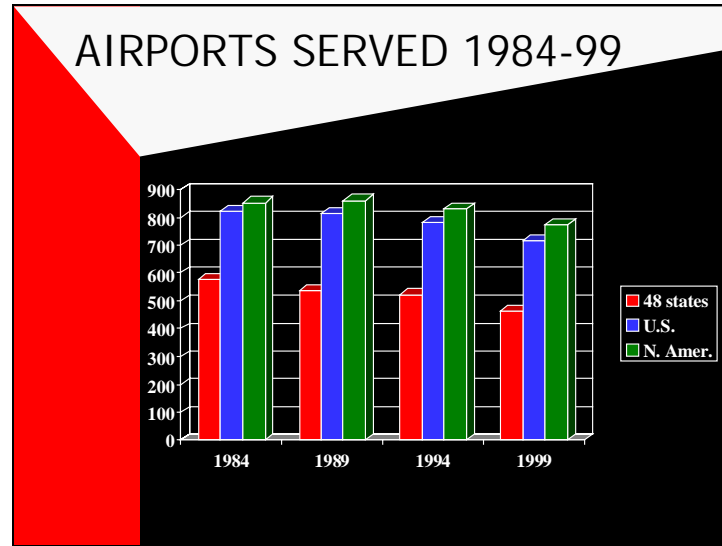
Slide 5

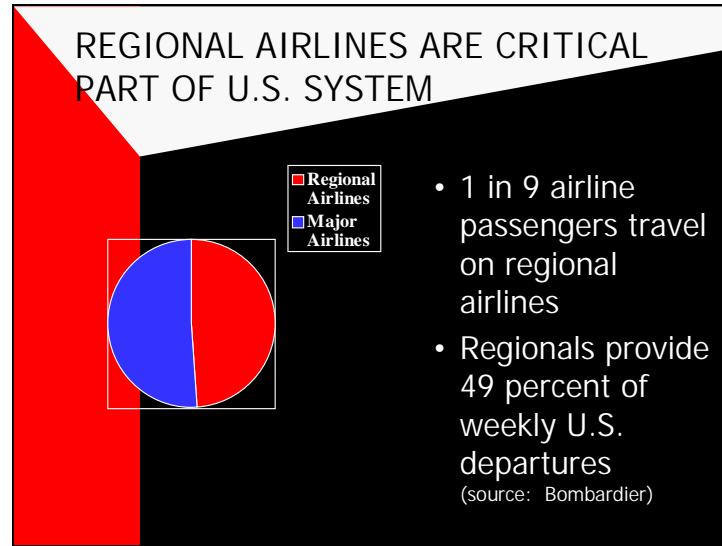


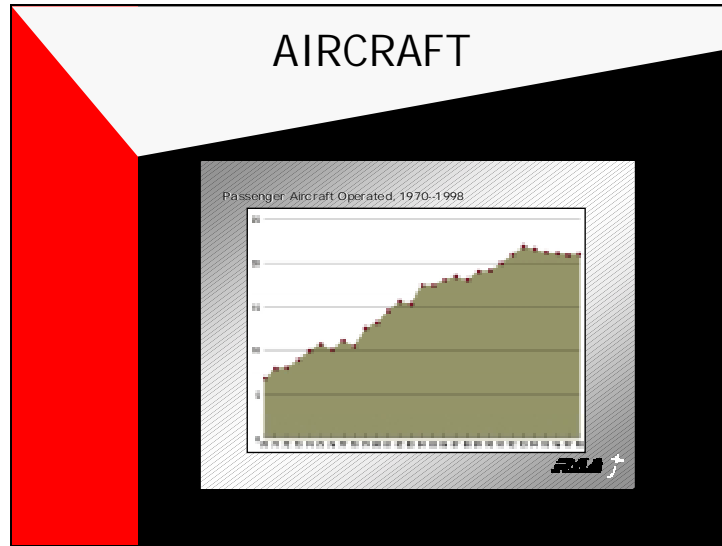


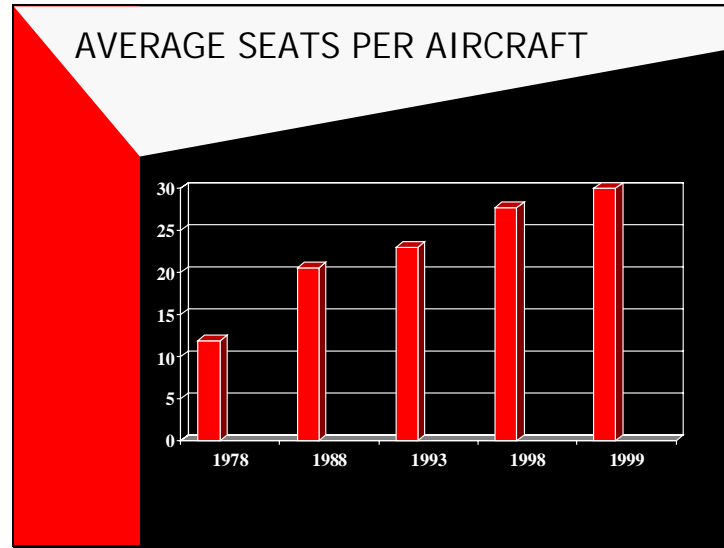
Slide 7

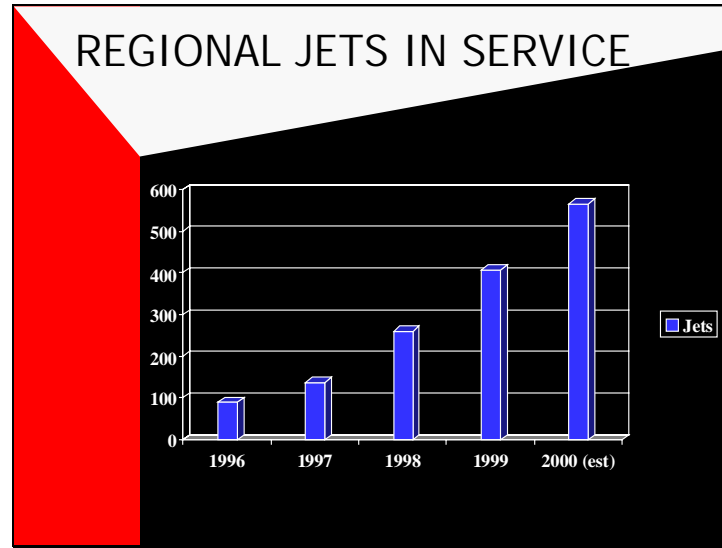


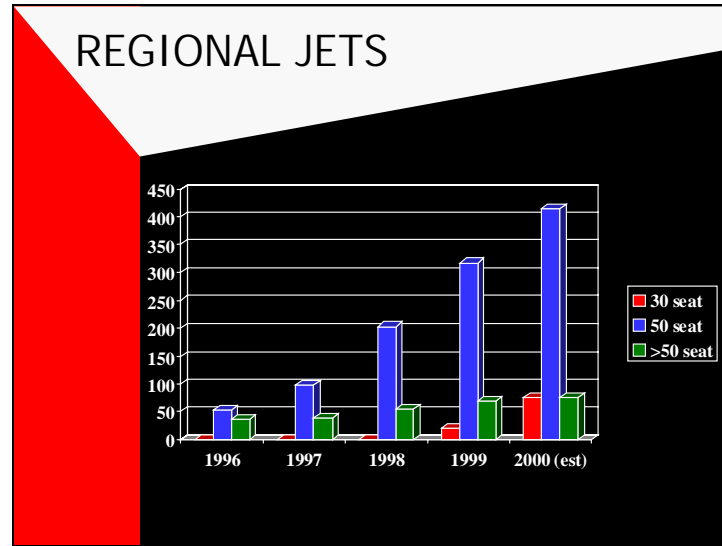













The slide features a graphic with a light gray top section containing the title 'REGIONAL JETS'. Below this is a large black area, and to the left of the black area is a vertical red bar. The text is positioned in the black area, to the right of the red bar.

REGIONAL JETS

- Orders for 665 aircraft
 - 129 ERJ 135
 - 50 Fairchild 328
 - 30 Fairchild 428
 - 167 ERJ 145
 - 200 Bombardier RJ
 - 82 Bombardier RJ700
 - 7 Avro 85

REGIONAL JETS


- "Options" for 789 aircraft
- | | |
|-----|------------------------------|
| 140 | ERJ 135 |
| 98 | Fairchild 328/ Fairchild 428 |
| 146 | ERJ 145 |
| 277 | Bombardier RJ |
| 128 | Bombardier RJ700 |



INDUSTRY ISSUES

- Constrained ATC System
- Airport Capacity Limitations
- Labor/Staffing Issues
- Regulatory Costs
- Fuel Costs

AIR TRAFFIC CONTROL




- Inability of ATC system reduces access to airports
- Inefficient ATC system does not allow airlines to take advantage of faster aircraft
- Inefficient ATC system forces airlines to expand scheduled enroute times
- First-tier holds/Turboprop holds

AIRPORT CAPACITY LIMITATIONS

- Runway capacity
- Need for precision approach capabilities at airports without ILS or other land-based systems
- Larger holding areas to accommodate increased number of passengers
- Gates and holding areas near major partner

LABOR ISSUES



- Scope Clauses
- Union Contracts
- Pilot Hiring
- Shortage of Mechanics

SCOPE CLAUSES

- Limit the size of aircraft (generally to 70 seats or less)
- Regional fleet growth tied to that of major airline
- Limit the number of regional jets
- Restrict the timing of route transfers



UNION CONTRACTS

Source: J. Glass & Associates/Ford & Harrison

- Currently In Mediation
 - Pilots at Horizon
 - Pilots at Midway
 - Pilots at Piedmont
 - Pilots at Comair
 - Pilots at Trans States
 - Stock clerks at CCAir
 - Stock clerks at Allegheny
 - Stock clerks at Piedmont
 - Ramp agents at Midway

UNION CONTRACTS

Source: J. Glass Associates/Ford & Harrison

- **Currently in Negotiations**
 - Pilots at Air Wisconsin
 - Pilots at Gulfstream Intl.
 - Pilots at PSA
 - Pilots at Atlantic Coast
 - Flight attendants at Comair
 - Flight attendants at Midway
 - Flight attendants at Piedmont
 - Flight attendants at Mesaba
 - Flight attendants at CO Exp.
 - Flight attendants at Allegheny
 - Stock clerks at Allegheny
 - Stock clerks at Piedmont
 - Mechanics at Allegheny
 - Mechanics at Air Wisconsin
 - Ramp agents at Air Wisconsin
 - Dispatchers at Allegheny
 - Dispatchers at Chautauqua
 - Dispatchers at Mesaba
 - Dispatchers at Big Sky
 - Dispatchers at Atlantic Southeast
 - Dispatchers at Piedmont

UNION CONTRACTS Source: Ford & Harrison

- Failed tentative agreements since 1/97
 - 40% at major airlines
 - 28% at regional airlines

PILOT HIRING

- Media reports of a pilot shortage
- Hiring at record levels - AIR, Inc., estimates 15,000 for all airlines in 1999
- Carriers still able to find qualified applicants
- Departing captains give 2 weeks (or less) notice and training cycle for new or upgrading pilots is 4 - 6 weeks
- Some airlines establishing "direct-hire" programs with aviation universities

POSSIBLE FUTURE SHORTAGE OF MECHANICS

- Number of airframe & powerplant (A&P) mechanics entering workforce in 1997 was 10,000, compared to 24,000 in 1991
- Some carriers experiencing difficulty in recruiting AMTs
- Strong competition from other industries for A & P mechanics
- Regional and major airlines establishing programs to recruit and financially assist AMTs
- Department of Labor predicts industry will require 50,000 more aviation maintenance technicians (AMTs) by 2006

REGULATORY COSTS

- Additional Regulations Impose Costs
- FAA Interpretation on Pilot Reserve Rest
- FDR Upgrade
- Cargo Detection and Suppression Systems
- Boarding Assist Devices
- Deployment of High-Technology Security Equipment to Smaller Airports
- Terrain Altering & Warning System
- Expected Flight & Duty Time Regulation

FUEL PRICES

Source: Material Services Company

This has been the net result....

